

September 27, 2006

SPECIAL NOTICE TO IFTA CARRIERS

RATE CHANGE FOR BIODIESEL FUEL CONSUMPTION  
EFFECTIVE SEPTEMBER 1, 2006

Michigan's Motor Carrier Fuel Tax Act, PA 119 of 1980, has been amended. The change went into effect on September 1, 2006 and reduced the fuel tax rate on purchases of diesel fuel blends containing at least 5% biodiesel to 12 cents per gallon. The Michigan fuel tax rate for diesel fuel containing less than 5% biodiesel remains at 15 cents per gallon.

Diesel and biodiesel fuel purchased outside of Michigan and not used in Michigan shall continue to be reported on the IFTA diesel fuel schedule for the jurisdiction where purchased using the diesel fuel tax rate for that jurisdiction.

Motor carriers should combine the biodiesel and diesel fleet miles and the biodiesel and diesel purchases to calculate the fleet MPG. Use this fleet MPG to calculate the diesel and biodiesel miles traveled in Michigan and other jurisdictions. Diesel and biodiesel fuel withdrawn from bulk storage tanks is considered a purchase in the calendar quarter it is dispensed into IFTA vehicles.

The IFTA tax rate table will change for the 3<sup>rd</sup> quarter of 2006. Biodiesel will be added as a new fuel type, effective September 1, 2006. The biodiesel fuel tax rate for Michigan is 12 cents per gallon plus the use tax rate of 16.2 cents per gallon. The combined Michigan biodiesel tax rate is 28.2 cents per gallon for qualifying biodiesel (B05 – B00). For the 3<sup>rd</sup> quarter 2006, the new fuel tax rate on biodiesel applies only to fuel purchased between September 1<sup>st</sup> and September 30<sup>th</sup>. Carriers who purchased biodiesel in July and August will report it on the diesel schedule as regular diesel fuel for Michigan and all other jurisdictions.

For the 3<sup>rd</sup> quarter 2006 IFTA return, carriers must keep track of Michigan qualifying biodiesel purchases that occurred on or after September 1, 2006 and consumption of this biodiesel fuel in Michigan. In order to take advantage of the reduced fuel tax rate for qualifying biodiesel, carriers must keep track of their Michigan consumption and must have purchased enough biodiesel gallons (either in Michigan or elsewhere) to cover the reported Michigan biodiesel taxable gallons.

Biodiesel purchased and consumed in Michigan will be reported on the IFTA biodiesel schedule. Biodiesel purchased in another jurisdiction will also be

reported on the biodiesel schedule, to the extent that it is consumed in Michigan. Qualifying biodiesel (B05-B00) purchased in Michigan and consumed in another jurisdiction, along with the related mileage, *must also be reported on the biodiesel schedule. Tax should be calculated using the diesel fuel tax rate for the jurisdiction where the biodiesel was consumed.* The qualifying biodiesel (B05 - B00) purchased in another jurisdiction and consumed in Michigan during September 2006 must be reported on the biodiesel schedule on the lines for the jurisdiction where purchased using their diesel fuel tax rates.

Carriers using both regular diesel fuel and biodiesel must keep accurate records of fuel purchases and consumption in Michigan for each fuel type. Invoices must show the jurisdiction where the fuel was purchased, the fuel type and the tax rate charged. The biodiesel blend at the time of purchase and dispensing into the fuel tank of the IFTA qualifying vehicle will determine whether the fuel qualifies for the lower fuel tax rate in Michigan (B05-B00). To qualify for the lower biodiesel fuel tax rate in Michigan, biodiesel fuel stored in a bulk storage tank must be a blend of biodiesel and diesel containing at least 5% biodiesel (B05-B99) or biodiesel (B00) at the time it is dispensed into an IFTA vehicle.

If a motor carrier operating in Michigan consumes more biodiesel in a quarter than they purchased in Michigan, the carrier must be able to demonstrate that they purchased qualifying biodiesel elsewhere to cover the consumption reported on the Michigan IFTA return.

Failure to keep adequate records may result in fuel consumption charged at the higher Michigan diesel tax rate and the disallowance of tax paid on biodiesel gallons.

Any questions should be directed to:

Customer Contact Division, Special Taxes  
Michigan Department of Treasury  
P.O. Box 30474  
Lansing, MI 48909-7974

You may also contact us by phone at (517) 636-4580 or fax at (517) 636-4593